

Message Text

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TO AMEMBASSY KINSHASA

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C O N F I D E N T I A L STATE 039694

E.O. 11652: GDS

TAGS: ENRG, ECON, CG

SUBJECT: OIL COMPANIES IN ZAIRE

REF: MUNICH 220 (NOTAL); KINSHASA 1748 (NOTAL)

GENEVA FOR AMB. VANCE

1. SUMMARY: LEONARD OF MOBIL OIL HAS BRIEFED DEPT ON
PARIS MEETING OF OIL COMPANY REPS WITH DIRECTOR GENERAL
OF NEW ZAIRIAN NATIONAL OIL COMPANY, PETROZAIRE, WHICH
LEONARD ATTENDED. OIL COMPANIES WERE ASKED WHETHER THEY
WOULD BE INTERESTED IN EQUITY PARTICIPATION IN PETROZAIRE
OF UP TO 40 PERCENT AND WERE ADVISED OF OPERATIONAL AREAS
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IN WHICH PETROZAIRE DESIRES THEIR ASSISTANCE. COMPANIES INVITED SUBMIT SPECIFIC PROPOSALS BY MARCH 15. ASSURANCES REPEATED OF COMPENSATION FOR EXPROPRIATED ASSETS. END SUMMARY.

2. REPS OF WESTERN OIL COMPANIES WHOSE ASSETS IN ZAIRE HAVE BEEN EXPROPRIATED WERE URGENTLY SUMMONED TO MEETING FEB. 21 IN PARIS WITH PETROZAIRE DIRECTOR GENERAL MPEYE. DUE CONFUSION ABOUT MEETING PLACE, TEXACO AND BP REPS WERE ABSENT BUT HAVE SINCE BEEN BRIEFED BY OTHERS. (LEONARD HAS TALKED WITH SEIBERT OF TEXACO.)

3. MPEYE ASKED REPS IF THEIR COMPANIES WOULD BE INTERESTED IN TAKING UP TO 40 PERCENT EQUITY PARTICIPATION IN PETROZAIRE. SAID HE NEEDED IMMEDIATE ANSWER TO TAKE TO MOBUTU, WITH WHOM HE WOULD BE MEETING FOLLOWING DAY IN CAIRO. IN ENSUING DISCUSSION MPEYE MADE CLEAR PETROZAIRE NOT LOOKING FOR FINANCIAL PARTICIPATION (HE WAS UNABLE ESTIMATE WHAT CAPITALIZATION OF COMPANY WOULD BE) BUT IN OPERATING ASSISTANCE IN AREAS IN WHICH HE SAID NEW COMPANY AWARE IT COULD NOT MANAGE ALONE. MPEYE MENTIONED SPECIFICALLY: 1) LOGISTICS (TANKERS, SHIPPING OPERATIONS); 2) ADMINISTRATION (GENERAL, ACCOUNTING, ETC.); 3) LUB OIL TECHNOLOGY (SHELL AND MOBIL HAVE LUB OIL PLANTS IN ZAIRE); 4) PETROCHEMICALS (SUPPLIES, TECHNOLOGY--MOBIL HAS MATADI PLANT); 5) AVIATION GAS (SUPPLIES, QUALITY CONTROL); 6) CONSTRUCTION ENGINEERING; 7) SALES ENGINEERING (PARTICULARLY MARKETING OF SPECIALIZED PRODUCTS FOR SPECIFIC INDUSTRIES); AND ASPHALT (PROCUREMENT, PRODUCT APPLICATIONS).

4. COMPANIES EXPRESSED INTEREST BUT ASKED FOR MORE DETAILED INFORMATION. MPEYE INVITED SPECIFIC SUGGESTIONS AND PROPOSALS FROM EACH BY MARCH 15.

5. IN RESPONSE TO QUESTION FROM SHELL REP, MPEYE SAID POSSIBILITY OF HAVING PETROZAIRE SIMPLY BUY INTO COMPANIES' ZAIRE OPERATIONS HAD BEEN CONSIDERED BUT "REJECTED BY HIGHER AUTHORITY. THREE TIMES IN COURSE OF MEETING HE TOOK PAINS, HOWEVER, TO ASSURE REPS THAT THEIR COMPANIES WOULD BE COMPENSATED FOR EXPROPRIATED ASSETS BUT SAID THAT DETAILS OF THIS WOULD BE WORKED OUT CONFIDENTIAL

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NOT WITH PETROZAIRE BUT WITH MINISTRY OF ENERGY.

6. MOBIL OIL REGARDS MPEYE PROPOSALS AS IDEAL POINT OF REFERENCE FOR MEETING OF HIGH-LEVEL COMPANY OFFICIAL WITH MOBUTU FOR WHICH GULLION PREPARED GROUND IN MUNICH (REF A) AND TIMING OF WHICH AMB. VANCE WILL ENDEAVOR PIN DOWN ONCE MOBUTU RETURNS TO KINSHASA. LEONARD COMMENTED

WRYLY TO DEPTOFF THAT MPEYE'S LIST OF AREAS IN WHICH
PETROZAIRE WOULD REQUIRE ASSISTANCE BORE STRIKING
RESEMBLANCE TO LIST OF TALKING POINTS MOBIL PREPARED FOR
GULLION FOR HIS MEETING WITH MOBUTU.

7. COMMENT: AGREE MOBIL ASSESSMENT THAT MPEYE PROPOSALS
OPEN DOOR TO COMPANIES FOR NEGOTIATION OF CONTINUING ROLE
IN ZAIRE MARKET. ALTHOUGH MPEYE SPOKE OF EXPROPRIATION AS
FAIT ACCOMPLI AND SOUGHT TO COMPARTMENTALIZE ISSUES OF
COMPENSATION PAYMENT AND PARTICIPATION IN PETROZAIRE, PRO-
CESS OF NEGOTIATION NOW INITIATED MAY OFFER COMPANIES
OPPORTUNITY TO WORK FOR SATISFACTORY OVERALL SETTLEMENT. CASEY

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